

November 11, 1959

# Investor's Reader

*For a better understanding of business news*



**CROWN ZELLERBACH MOVES ALONG NEW ROUTES (see page 17)**

## SKI STAG

Fashioning sails for clipper ships, sou'westers for rounding Cape Horn and rugged work clothes for loggers in the Northwest the White Stag Manufacturing Company of Portland, Oregon built up a vast know-how which now stands it in good stead as a leading maker of "freedom loving" sports attire. While it no longer stretches sail for high-masted schooners, White Stag turns out a full line of women's and girls' sportswear (many made with durable sail cloth) as well as a wide variety of men's, women's and children's skiwear. It also turns out sleeping bags, tents, tarpaulins and various other canvas sporting products.

It is the ski line (as witness the attractive sample above) for which White Stag is best known. It claims to be the No 1 US producer in this field. Other ski clothiers include leisurewear-oriented McGregor-Doniger, aquatic Jantzen and some closely held companies like Seattle Woolen (Edelweiss) and Carter & Churchill (Profile).

Actually, brisk seasonal ski sales accounted for only 15% of White Stag's \$14,900,000 volume last year and the company eagerly strives to become better known on a year-round basis. In Spring it introduced its first coordinated swimsuit ensemble in popular White Stag cotton. This Fall it added further emphasis to non-ski lines. Items: a Town-about coat for suburban wear which sports White Stag's "fresh outdoors look" but maintains a "soft feminine appeal"; also a line of women's and girls' rainwear with "urban sophistication."

Vice president Charles Baum explains this distaff partiality: "About 80% of our total sales come from women's and girls' sportswear. We discontinued our money-losing men's sportswear (as opposed to skiwear) last year and look to our new and expanded lines of women's sports attire to fill the gap." So far the White Stag program seems to do just that. Sales for the first nine months of 1959 are already ahead of total 1958 volume. For the year ending this month merchant Baum predicts "sales of \$19,300,000 and earnings of about \$2.20 a share." In fiscal 1958 the Company recorded profits of \$436,000 or \$1.62 a share.

White Stag is a relative newcomer to financial circles, with the first public offering in March. And of a total capitalization of only 312,000 shares 52% remains closely held.





INDEX	PAGE
American Trust rounded banking..	22
Crown Zellerbach's growth Hunt..	17
Emerson Electric revs up results....	14
Hoover helps housewives .....	9
Letters from readers .....	24
Maine Public Service peaking power	7
Minneapolis-Honeywell on guard duty	3
New listings on NYSE .....	10
New York Air Brake pumps profits	1
Scott Paper pay-out .....	8
Siegler solidification .....	4

# Investor's Reader

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## BUSINESS AT WORK

### WALL STREET

#### Seller Beware

**T**HE EXTREME uprush in some stocks is partly because of frantic buying by hapless shorts caught in a squeeze. But when the squeeze is eased the reaction can be equally violent—on the downside.

### RAILWAY EQUIPMENT

#### Air Brake Speed-up

**W**HEN STOCKHOLDERS of New York Air Brake received notice last month directors had voted to boost the quarterly dividend back to the old-time rate of 40¢ (which had been cut to 25¢ in May 1958) not too many were surprised. For one thing, New York Air Brake president Charles T Zaoral had announced just the month before “the directors at their October meeting will give consideration to restoring part or all of the dividend reduction made in 1958.” For another, after a 1958 tussle with recession woes,

strikes and sundry other worries New York Air Brake has made an excellent recovery with a good pick-up in business in all its major lines.

Specifically, for the nine months ended September the \$28,000,000-assets industrial and railway equipment manufacturer came up with fat earnings of \$1,716,000 or \$2.33 a common share as against a mere \$465,000 or 64¢ a share (of which 33¢ was a non-recurring gain from a contract termination) in the corresponding 1958 period. The good news was kept from being even better because of an eleven-week strike at the company's Watertown, NY plant.

For the full year New York is expected to earn around \$3 a share (compared with \$1.42 in 1958) despite a sharp drop in air brake business due to cutbacks in freight-car orders during the steel strike. Up to the strike the air brake business “was doing quite well” but

since then the roads have "cut down drastically" on their orders. However the company expects "purchases of freightcars and other rail equipment to pick up sharply once the roads recover from the steel strike and the air brake division should make a very substantial contribution to net earnings in 1960."

Once solely a producer of railroad air brakes, the 1890-founded company first branched away from rail interests back in 1941 with the acquisition of Hydraulic Controls which had developed patents in the high pressure hydraulic control field. But until 1949 it remained largely dependent on its rail customers. Then it began to really diversify in earnest.

With the current lag in freightcar purchases the company has only 20% of its volume in air brakes v 30% normally. These are produced on a cross-licensing agreement with Westinghouse Air Brake, its largest air brake competitor. The rest of its sales comes from a complex line of pumps—the broadest of any pump maker:

- At the Aurora, Ill division it makes liquid handling pumps for home, industrial, farm and marine use. One of its biggest sea-going jobs: the pumps for the atom-sub *Triton*.

- The Hydreco division in Kalamazoo turns out pumps and motors for the materials handling, earth moving, farm and mining equipment industries. These include a line of hydraulic pumps and motors which are used for power sources in a variety of industries such as oil

equipment and heavy construction.

- Mechanical high vacuum pumps are the specialty of the Kinney Manufacturing division. They are used in the metallurgical, nuclear and electronic industries as well as in outer space research.
- The Vacuum Equipment division makes evaporator and furnace systems to create the appropriate atmospheres for pure metal refining, metallic coatings etc.
- Through its Stratopower division which manufactures pumps for aircraft and missiles, New York Air Brake is one of the two most important makers of high pressure hydraulic products in the US (the other: the Vickers division of Sperry Rand). For example the Boeing Bomarc carries a Stratopower pump to control its flight. Other users of Stratopower equipment: the Douglas DC-8, Convair 880, Boeing's B-52 and KC-135 as well as the *Regulus*, *Polaris* and *Nike-Zeus* missiles.

To keep pumping new push into operations New York Air Brake constantly works on development of new products and upgrading the old. Last year it spent "close to \$1,300,000" or almost 4% of sales on research and development. One research route in the last two years has resulted in a new commercial product, a hydrostatic transmission for heavy off-the-road equipment, which has "a good growth potential."

New York Air Brake stock has reflected the anticipated business pickup. The 730,000 shares which now trade on the Big Board around



33 are up ten points from earlier this year and almost double last year's low. But also reflecting the doldrums now chronic to the railroad industry, this is still way below the alltime high of 49 scored back in 1937.

## ELECTRONICS Honeywell Watchman

THE Minneapolis-Honeywell Regulator Company probably controls more facets of American life than any other company. Its electronic controls systems do everything from adjusting temperature on residential heating and air conditioning systems to registering and regulating industrial processes to guiding guided missiles. Two weeks ago the \$264,000,000-assets giant widened its controls calibration still further as it announced the first completely automatic plant security system.

A human guard at an industrial plant can obviously only be one place at a time. But thanks to the new Minneapolis-Honeywell system, he will be able to be everywhere at once.

In the automatic watchman, information and alarms from the electronic eyes & ears situated at all strategic points are automatically relayed to a compact security control center equipped with two-way TV and communications devices and all sorts of warning lights and bells. By remote control the guard at the console can check authorized personnel in & out of distant gates (see picture). He monitors alarms sent in by: 1) fire & smoke detection de-



**Automatic sentry gate-check**

vices, 2) intrusion sensors at doors and windows, 3) sensitive sonic devices which react to any motion such as a hidden thief emerging to prowl, 4) electronic fences which protest an intruder's crossing their path and 5) the system itself if some part of it should be tampered with or damaged.

The guard system has already been ordered for a Texas Instruments plant at Attleboro, Mass, some Westinghouse Electric atomic energy facilities, the Government's Frankford Arsenal near Philadelphia, the Chicago Art Institute, Eastman Kodak and Union Carbide. Prices range from \$1,000-to-\$200,000 depending on the size of the facility and the complexity of its security needs.

A company spokesman notes: "Industry annually spends more than \$250,000,000 for plant protection. We believe the system we have developed can reduce this expenditure

by at least 40% and give better results. About \$600,000,000 a year is lost through theft alone; that's why Honeywell has 600,000,000 reasons for its integrated automatic system." More direct 10,000,000 reasons: "We expect this to be a \$10,000,000 a year business in three years."

As such however it would be but a small part of overall Honeywell operations. In the nine months ended September the company registered a hefty \$274,000,000 sales against \$233,000,000 in 1958 while earnings jumped to \$2.97 a share from \$2.12. On the Big Board Minneapolis-Honeywell, long styled a growth-stock, now trades at 125, compared to the recent alltime high of 150.

## MANUFACTURING

Wide Product Mix  
Marks the New Siegler's  
Five-Year Career

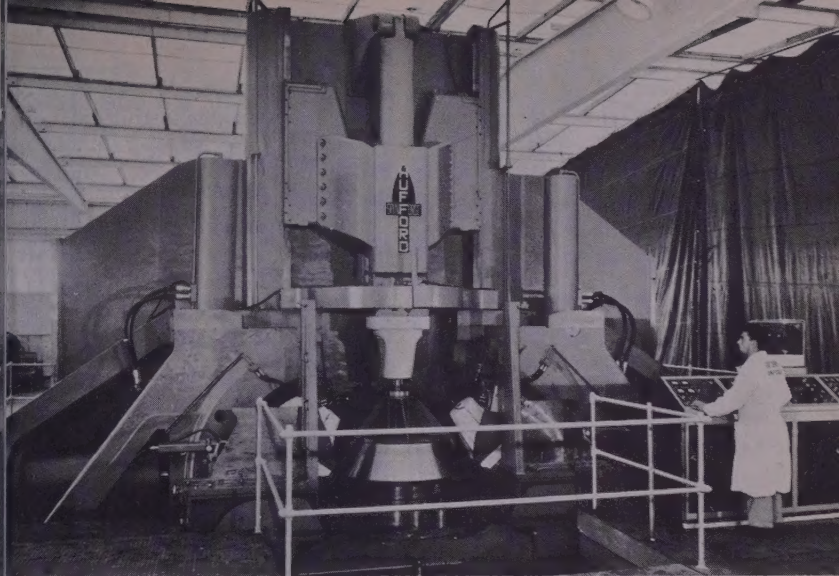
**T**HE BUSINESS of Siegler Corp defies succinct definition. The present-day \$41,000,000-assets West Coaster really took form only five years ago when Air Force General Frederick L Anderson and Army General (plus diplomat and industrialist) William H Draper Jr and seven eager compatriots bought Siegler, then a small privately owned Midwestern home heating outfit in business since 1921. Under the new regime Siegler has moved from Chicago to Los Angeles and through a series of no fewer than eight acquisitions in 1955-57 has become involved in (among other things) radio & TV, hi-fi, electronics, telephone equipment, woodworking equipment and heavy machinery.

One of the original purchasers was former Ekco Products vice president John Gaunt Brooks who was picked to head this melange (most of his fellow investors remained simply investors; some including General Anderson are still on the board).

The principal task of 46-year-old president Brooks is to streamline the Siegler corporate figure. John Brooks says of two seemingly unrelated activities—a closed circuit television system in Reno and a wood and metal working operation: "They are both profitable so we are not directly looking for buyers but when one comes along with the right price we will get rid of them. They are only a very small part of our company." Meantime he feels "we have just completed an assimilation period. We haven't had a merger now in two years and are looking over several situations that fit into our areas of application."

**Three Roads.** But even keeping track of Siegler's current integral units must be quite a job. Broadly the company operates in three areas—heating & cooling, specialized machinery, electronics. Most of Siegler's oil & gas space heaters, water heaters and air conditioning units are residential. John Brooks says: "It is a sound, established and profitable business. And while it certainly does not have the growth of our electronics business it is no where near as volatile. We look on it as a financial backbone for experimentation in our other lines. Our policy is to take the earnings generated by these lines and put them





**Sieglar Spin Forge ready for action**

into research for products of the future."

In specialized machinery Sieglar makes stretch and straightening presses, metal forming bulldozers, hydraulic jacks, materials handling equipment for both military and commercial markets. A recent development and one which president Brooks thinks has "a lot of potential" is the Spin Forge machine, a huge new metal working machine which "can be used to turn out virtually every missile part up to the rocket case."

Sieglar developed the Spin Forge (it costs \$600,000 for a 72-inch job) with Air Force funds for Marquardt Aircraft which uses it to build ram-jets. A second machine has been delivered to General Electric, another is on order for Lockheed (both Air Force-funded). In addition Sieglar itself operates one machine doing

contract work on missile parts and since "we have more business for the Spin Forge than we can handle" Sieglar will soon build one more for its own use. The beauty of the Spin Forge is it forges missile parts with fewer welds while the cost is "only one-tenth the price of laminated, welded parts."

In many ways Sieglar's future may lie in its commercial and military electronics business. Most of the company's research budget (\$2,000,000 for the fiscal year) goes into these lines. And while still very small in the broad electronics field, Sieglar has come up with some interesting developments.

One is swept-band transmission. This is a contraption which can determine any loss of telephone service (due to cable breaks, electrical failures, etc) and the exact location of the loss. Sieglar developed swept-

band transmission in conjunction with both Bell and General Telephone. It hopes to get swept-band listed in the exclusive Bell Telephone catalog—a compilation of recommended products. Says John Brooks: "It's almost more difficult to get into the good graces of the phone company than the Government." With some 15-to-17,000 central phone offices in the US, swept-band units, which will cost \$1,000-plus, have a "terrific potential."

Another interesting development: the constant frequency alternator, an item which stabilizes current frequencies electronically rather than hydraulically and mechanically.

**Space Track.** Siegler's military backlog comes to only \$17-to-18,-000,000 of which \$6,500,000 has been picked up since July. Most of it is in space communications. "We have helped develop and are working on several tracking systems." Its biggest chunk is in contracts for "Microlock" which is designed to track vehicles in space. While the Government owns the patents on Microlock (it was developed by Caltech's Jet Propulsion Labs) Siegler figures "we have the lead in know-how since we now employ two of the original three scientists on the project."

Siegler's other big military focus is missile instrumentation systems. It designed and built the fixed installation systems for Martin's Titan proving grounds outside Denver. An \$18-to-20,000,000 job which stretched over several years, "we think this is the largest missile instrumentation system ever built by

a single contractor." Siegler also builds transportable instrumentation systems for the Atlas—"all told a \$10-to-11,000,000 project"—and for the Polaris.

Siegler also does a good business in TV, hi-fi, stereo and radio. In fact John Brooks claims Siegler's Olympic division is "the largest maker of three-way combinations."

Its many faceted activities brought in a \$77,100,000 volume for Siegler in the year ended this June, a 5% increase over sales for fiscal 1958 and almost eight times 1955, the year of its new birth. Since much of this sales increase has been due to external rather than internal expansion, net income has not kept pace. In fiscal 1959 it came to \$2,-200,000 or \$1.36 a share (aided by a 44% tax rate thanks to a loss carry-forward from former subsidiaries), up from \$1,220,000 (80¢) last year and \$775,000 in 1955. Profits for the quarter ended this September rose to \$816,000 (50¢ a share) from \$533,000 (35¢). As for the rest of the fiscal year John Brooks hesitates to say: "I don't like predictions because if you don't achieve them too many people are disappointed."

The latest Siegler balance sheet lists \$34,450,000 in current assets (of which only \$1,057,000 is in cash) v \$15,000,000 in total current liabilities. There is \$5,560,000 in long-term debt ahead of the 1,624,000 common shares. Listed on the Big Board in January 1958, the stock trades around 30, down 15 points from its high earlier this year but still 22 times earnings.



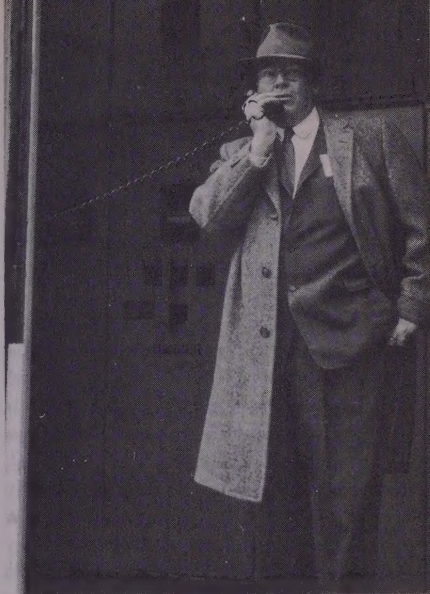
## UTILITIES

### Diesel Juice for Maine

**I**N THE FROSTY environs of Presque Isle in Maine's northernmost Aroostook County, the \$22,000,000-assets Maine Public Service Company three Saturdays ago proudly displayed its new set of three MU-42 automatic diesel generators produced by the Electro-Motive division of General Motors. The MU-42 is the locomotive-diesel-turned-powerplant which Electro-Motive developed (IR, Nov 12, 1958) to diversify into the electric utility sphere since big demand for diesel locomotives (a field dominated by GM) was largely saturated.

One MU-42 unit is currently running on a test scale at Philadelphia Electric and others are slated for use by Bangor Hydro-Electric but the Presque Isle set (total capacity: 4,200 kw; cost: \$420,000) is the first permanent installation. Hence the paternal interest of Electro-Motive boss (and GM vp) Richard Terrell who predicts "this type of plant is destined to gain wide application throughout the utility industry."

Neither GM nor the utilities expect the diesel unit to displace conventional steam or hydro generating plants. Rather, to quote Dick Terrell, the MU-42s "are designed for handling periods of peak demand which occur on every utility system." Maine Public Service president Charles Hazen Stetson (whose regular plants have 33,000 kw capacity) further explains his new purchase: "Our load pattern is typical of the average utility in which approxi-



**Stetson at MU-42 controls**

mately 20% of the total load on peak is only required about 2% of the time." In other words, the other 98% of the time the company could do with one-fifth less power capacity than it must keep on hand for the few hours of peak demand (mostly dark December afternoons or muggy Summer periods) when heavy factory, office and home use coincide. But most standard generating equipment requires a huge capital investment and is not economical when used for only short periods. The MU-42's forte is standby power and frequent on & off operation.

President Stetson estimates "this diesel equipment carries a fixed cost of approximately \$15 a kw a year as compared to about \$28 a kw for what has been considered conventional equipment for this type of work." Other advantages: the MU-42

plant will automatically come on line when needed, is transportable and thus can be installed at the spot of greatest demand.

Although the peaking problems of Maine Public Service (Amex ticker symbol: MAP) are similar to other utilities, the company's area is not. The territory is about 120 miles long and 30 miles wide in Aroostook and Penobscot counties in northeastern Maine. Population is about 100,000 and only one-fifth of the land is cleared. Over two-fifths of revenues are residential, only 7% industrial.

Residential customers are a steady lot though and while MAP sales & earnings are not phenomenal they have experienced steady growth. In the past three years revenues rose 27% to \$4,700,000 for 1958 while in the same time net income gained 36% to \$750,000 or \$1.55 a share. The trend has continued. In the twelve months ended September both revenues and profits gained 9% over the equivalent 1957-58 period. But earnings a share were off slightly (\$1.46 v \$1.48) due to an additional 50,000 common shares sold this Spring. The proceeds were used to pay outstanding bank loans.

The present 427,000 shares usually move in a limited range (between 21 and 24 $\frac{5}{8}$  so far this year). The prime attraction of the stock is its \$1.20 annual dividend which gives an attractive 5.2% yield at the present price of 23.

In addition to its US area, MAP also serves a 30,000 population sector of the neighboring province of New Brunswick. In fact 12% of total revenues come from there. The utili-

ity operates a hydroelectric & diesel plant in New Brunswick, (some of whose power it uses for Maine), also purchases juice from the New Brunswick Electric Power Commission. But since the province is dedicated to public power the Canadian end of MAP operations has no great growth appeal.

There is also a faint public power echo in Maine. A board of engineers recently re-dredged the old Passamaquoddy plan and announced the project economically feasible. The idea is to harness the rise & fall of the tides in the Bay of Fundy which is between Maine and New Brunswick. The present project, estimated to cost \$532,000,000, would produce 1 billion kwh a year. It will go before an international commission late this year.

But even if approved there, it would of course require Administration and Congressional approval and funds. Thus any go-ahead for Quoddy is doubtful and would in any case be many years in the future. And conceivably, if the project were to materialize, MAP could buy Quoddy power for its own system. Maine Public Service president Stetson says calmly: "Meantime we will continue to supply the electricity to the area we serve."

## PAPER

### Scott Score

**J**UST 31 DAYS from today, the 30,000 stockholders of Scott Paper Company will pocket their final 1959 quarterly dividend payment. Happily, thanks to a rate hike OKayed by directors at the October



dividend meeting, this advance Christmas payout of 55¢ a share will be a nickel higher than the usual quarterly disbursements made over the past three years.

The boost is but one indication of an anticipated record year for the No 1 sanitary paper maker. The trend was well established by the end of the third quarter: nine-month sales stood at a peak \$219,400,000 or 4% ahead of the previous year. Net income for the same period was \$17,700,000 or \$2.20 a share *v* \$15,900,000 (\$1.98) last year. Scott president Thomas B McCabe was prompted to remark: "On the basis of these results \* \* \* sales and earnings should set new records for the full year." (Previous profit record: 1956 when earnings were \$2.78 a share. The sales high was 1958 with \$285,000,000.)

In an industry still troubled by some overcapacity, \$309,000,000-assets Scott has managed to do considerably better than the average, thanks to its recession resistant output of tissues, paper towels, paper napkins, etc which account for more than four-fifths of company volume. One result: Scott common now trades around 82, only five points below the alltime high scored earlier this year.

## APPLIANCES

### Hoover Clean Sweep

**A**PLIANCE INDUSTRY efforts to make life easier for the housewife have scored another advance — the \$40,000,000 - assets Hoover Company of North Canton, Ohio has introduced the first electric

floor washer. This ingenious muscle saver scrubs hard surface floors and then sucks them dry. The machine lists around \$80. Hoover treasurer Kenneth Weaver last week reported: "It's hard to tell just how well floor washer sales are going at this time but we are rather pleased."

Half-century-old Hoover built its reputation on its upright vacuum cleaner but now makes a canister model as well. Other Hoover appliances: steam-dry irons, floor polishers, coffee pots and hand mixers.

First half 1959 sales rose a mite to \$25,100,000 while earnings increased 12% to \$3,149,000 or \$1.84 a share. Record earnings are almost routine for this well known mother's helper. Since 1954 profits have doubled from \$2,355,000 (\$1.34 a share) in 1954 to \$4,696,000 (\$2.74) last year. Treasurer Weaver comments on the profit sweep: "Our earnings are a result of economies throughout all operations—no one thing is responsible."

However a big profit plus comes from dividends paid parent Hoover by foreign subsidiaries which last year sent home almost one-fourth of total net income. As customary, this includes only dividends received by the parent; the foreign subsidiaries probably earned much more.

An interesting aspect of Hoover is its electronics division which treasurer Weaver admits "is not a significant part of Hoover business but we felt we ought to be in it." Operations in electronics are mostly in research areas, with a "lot of subcontracting of defense orders."

As for how full-year 1959 will



**Floor washing help by Hoover**

compare with 1958, Kenneth Weaver states: "We expect 1959 sales to be greater than last year. Of course it depends on the steel strike—if it continues much longer folks won't be able to buy our products." But he notes: "To date our earnings have not been affected by the strike."

Hoover capitalization is as cleanly designed as its latest floor washer. There is no debt and only 14,800 shares of \$100-par preferred ahead of the 1,520,000 class A (non-voting) and 168,000 voting B stock (Hoover family and management own 73%). Last week at a special stockholder meeting a 100% stock dividend was approved. At press-time the old Class A traded over-the-counter at an alltime high of 38 or triple last year's low.

## **WALL STREET The Busy Big Board**

**N**EARLY two - score companies have listed their stocks on the New York Stock Exchange since the last annual IR roundup of Big Board newcomers (Nov 26, 1958). This is an unusually crowded schedule though not quite up to the record of 1956-57 when 45 new listees signed in. And after the usual Summer hiatus, the current pace has picked up sharply with five newcomers welcomed in October and another five debuts pending at the start of November. Their names and some pertinent numbers are tabulated on pages 12 & 13.

The roster ranges from giant A&P with \$5 billion sales last year to US Vitamin & Pharmaceutical with only \$14,500,000 volume. While the debutants cover a wide list of industries from stores to doors and bandages to freightcar fleets, by far the largest group is in electronics or aircraft (with heavy electronic and instrumentation overtones).

A number of the electronics companies are postwar - born (though Controls Company dates back 35 years). So are Diners' Club which fathered a new national institution and stresses credit spending and San Diego Imperial which controls a flock of Savings & Loaners and seeks cash savings. But the new Big Boarders also include a number of oldtimers: among them, fittingly enough, representatives of the age-old building materials field. Two Midwestern cement mixers, Missouri Portland and Medusa, were born but one year apart in the early Nineties (1890s, that is) while aggregates supplier



Warner Company goes back to another Nineties—it was founded in Philadelphia while that city was George Washington's capital.

**Dividend Debate.** In earlier years few stocks joined the Big Board without a current cash dividend record. But a number of the present crop of growth-eager companies proclaim their desire to plow back all earnings. For instance Ampex and San Diego Imperial have never paid any dividend. Thiokol and Diners' Club have never paid out any cash but have distributed annual stock dividends of 4-to-6% in recent years. Of course, a number of other companies like Ryan Aeronautical and White Stores frequently combine cash and stock payments. (But in all cases, the IR table lists only cash disbursements.)

As usual, a number (13 this time) of the Big Board newcomers served an apprenticeship on the American Stock Exchange; five were first listed on the Midwest Exchange (where they still enjoy dual listing). The rest were previously traded over-the-counter. However, three of these companies—Upjohn, Universal Oil Products, Chock Full O'Nuts—jumped almost directly on to the Big Board only one-to-eight months after their stock was first offered to the public.

Many of the other debutants also stepped up to the Board after some decisive financial changes. A & P (which previously had only non-voting issues available to the public) last December reorganized completely into a corporation with a single all-voting class of stock which promptly was put on the NYSE. In April Collins Radio streamlined its voting A

and non-voting B shares into a single common issue in what many suspected was a preliminary move toward listing (IR, April 1); sure enough, the stock is due to reach the Big Board this month. Central Soya stockholders voted on a 2-for-1 split the day after national election day and the company plans to request early listing for its newly enlarged capitalization of 1,132,000 shares.

Despite this year's near-record influx, the total of 1,500 stocks of 1,114 companies listed at latest count is only a handful above last year's figures, mainly because the NYSE continues its active campaign to delist issues which fail to maintain the Board's size, earnings and stock distribution minimums. In the twelve months through November 1 the Exchange took action to delist 14 common and five preferred stocks including entangled F L Jacobs and the bankrupt Hudson & Manhattan. Also off the Board went a group of high-grade but extremely closely-held rails like Alabama & Vicksburg, New York & Harlem and Mahoning Coal Railroad.

In addition to the stocks dropped on the Exchange's initiative, twelve other commons and four preferreds disappeared via the merger route including Hecht Company, Sylvania Electric, Rome Cable, Fidelity-Phoenix Fire Insurance and Victor Chemical.

The stock interest of most of the merged companies is of course still represented on the Board since usually the holders traded in their shares for stock in the surviving company. And obviously the Big Board new-

comers far outweigh the delisted companies in both size and trading activity. Add to this the steady increase in outstanding shares of Big Board veterans (through stock splits & dividends, sales of additional stock,

etc) and ever-new records in total share listings are virtually guaranteed.

As of September 30 (latest complete figures available) the Big Board already played host to 5.6 billion

## NEW LISTINGS ON THE NEW YORK STOCK EXCHANGE Adjusted for stock splits, stock exchanges

Company	Chief Business	Business Founded	Date Listed 1958
Thiokol Chemical.....	Missile propellants.....	1928	Dec 10
Great Atlantic & Pacific Tea.....	No 1 grocer (4,250 stores).....	1859	Dec 15
1959			
Upjohn Company.....	Ethical drugs.....	1886	Jan 5
Ampex Corp.....	Videotape recorders; mil instrument tape.....	1946	Jan 19
Diners' Club.....	Charge most everything else too.....	1949	Feb 16
US Vitamin & Pharmaceutical.....	Vitamins; hormones; food supplements.....	1935	Mar 9
Rochester Telephone.....	280,000 upstate NY telephones.....	1899	Mar 30
McDonnell Aircraft.....	F-101; F4H; missiles; Mercury space capsule.....	1939	Mar 31
Universal Oil Products.....	R&D in oil refining.....	1914	Apr 1
Neptune Meter.....	Measures water, money, pounds.....	1892	Apr 6
Warner Company.....	Gravel, sand, concrete.....	1794	Apr 7
National-Standard.....	Steel wire products.....	1907	Apr 10
White Stores.....	Auto accessories, mostly in Texas.....	1930	Apr 13
Texas Gas Transmission.....	3,750 miles from Gulf to Ohio.....	1928	Apr 14
Kellogg Company.....	Corn Flakes, etc; 40% of US cereal market.....	1906	May 12
Globe-Wernicke Industries.....	Metal office furniture.....	1929	May 20
Chock Full O' Nuts.....	Coffee 60%; lunch counters 40%.....	1922	June 17
Rubbermaid Inc.....	Kitchen & bath accessories.....	1920	June 22
Kendall Co.....	No 2 bandage maker.....	1924	June 29
North American Car.....	No 3 freightcar lessor.....	1908	June 30
Vanadium-Alloys Steel.....	Steel.....	1910	July 1
Packard-Bell Electronics.....	Missile test equip; air identify systs; TV.....	1933	July 14
Wallace & Tiernan.....	Chemicals; drugs; processing machinery.....	1913	July 20
Food Mart.....	65 stores in Texas, NM.....	1941	July 27
Missouri Portland Cement.....	8,000,000 barrels in Midwest.....	1891	July 29
Universal Match.....	Also vending mach, controls, armaments.....	1937	July 30
Amer Commercial Barge Line.....	No 1 inland water carrier.....	1923	Aug 31
Ryan Aeronautical.....	Firebee target drone; plane parts; nav systs.....	1931	Sept 1
Varian Associates.....	Klystron tubes and fancy microwave stuff.....	1948	Sept 14
San Diego Imperial.....	Savings & Loan holding co; some insurance.....	1956	Oct 5
Controls Co of America.....	Laundry appliance, heat controls.....	1924	Oct 19
Lear Inc.....	Autopilots; plane controls & equip.....	1930	Oct 20
Medusa Portland Cement.....	12,100,000 barrels in Midwest, Pa.....	1892	Oct 26
Crowell-Collier Publishing.....	Encyclopedias; book sets.....	1906	Oct 28
Air Control Products.....	Alum jalousie windows & doors.....	1950	Novembe
AMP Inc.....	Solderless electric wiring.....	1941	Novembe
Collins Radio.....	Air nav, landing, communications systems.....	1933	Pending
Maremont Automotive Prods.....	Mufflers; leaf springs; clutches.....	1877	Pending
Central Soya.....	Soybean oil & meal; feed.....	1934	Pending



shares (worth \$290.5 billion at the prevailing market), 700,000,000 shares more than the year before and double the shares listed less than six years ago. Looking ahead, Big Board president Keith Funston on

his recent Far Eastern tour repeatedly predicted 8½ billion shares listed by the mid-Sixties and 11 billion by 1970. Major contributors to this total will undoubtedly be a host of future corporate newcomers.

## NEW YORK STOCK EXCHANGE

### Bonds and recapitalization

Company Bonds	A Share						Cash Dividends Each Year Since	Ticker Symbol	Approx Market Price
	Earnings			Cash Dividends					
	Latest 12 months	1958	1957	1959 Indicated	1958	1957			
419	1.21	.68	.47	none	none	none	—	THI	52
7539	2.61	2.49	2.34	1.10	.80	.70	1925	GAP	38
1056	1.54	1.43	1.23	.64	.52	.51	1909	UPJ	44
387	1.53	1.29	.84	none	none	none	—	APX	104
330	1.51	1.43	1.18	none	none	none	—	DCL	28
209	.99	.95	.91	.60	.50	.43	1942	UYT	34
367	1.59	1.49	1.33	1.00	1.00	1.00	1926	RTC	26
546	6.10	6.33	6.34	1.00	1.00	.50	1950	MAC	33
900	NA	1.25	1.52	.37	.58	.58	1955	UOP	23
047	2.62	2.70	2.59	1.40	1.40	1.40	1939	NPM	30
111	1.92	1.40	1.59	1.00	1.00	1.00	1946	WAR	21
775	5.04	2.75	3.24	1.80	1.60	1.70	1916	NSC	50
913	2.64	2.27	2.15	.80	.60	.60	1947	WEW	29
950	2.14	2.06	1.83	1.25	1.00	1.00	1952	TXG	30
876	2.04	2.04	1.88	1.00	1.00	.87	1923	K	37
828	1.57	1.65	2.43	1.20	1.20	1.13	1934	GW	21
800	1.96	1.64	1.10	1.10	.25	none	1958	CHF	35
301	1.10	.88	.82	.30	.29	.27	1946	RBD	14
015	4.96	3.60	3.80	2.00	2.00	2.00	1939	KEN	58
341	2.12	2.04	2.02	1.00	.93	.82	1943	NOA	39
625	3.28	1.92	4.83	1.80	2.10	2.60	1933	VAS	45
792	1.77	1.46	1.02	.50	.50	.50	1949	PKB	42
408	2.95	2.26	2.58	1.50	1.40	1.40	1929	WLT	42
854	1.41	1.26	1.21	.57	.50	.50	1955	FMR	17
586	3.41	2.92	1.99	1.50	1.19	.93	1936	MRP	38
563	2.03	1.56	1.25	.87	.73	.69	1938	UMT	67
532	2.46	1.79	2.63	1.00	1.00	.50	1941	ABR	22
533	1.78	1.70	1.34	.18	.13	.12	1942	RYC	18
121	.64	.51	.35	none	none	none	—	VAR	38
844	NA	.18	.13	none	none	none	—	SND	10
122	2.09	1.21	1.15	.60	.51	.48	1956	CTC	32
534	.83	.68	.36	.40	.10	.30	1954	LEA	19
575	2.98	2.91	2.37	.75	1.00	.90	1939	MPD	29
435	2.10	1.97	1.79	none	none	none	—	CRW	23
327	1.27	1.02	.74	.43	.33	.29	1955	—	20
017	1.86	1.29	1.66	.60	.50	.50	1951	—	44
813	1.95	.56	1.29	none	none	.35	—	—	36
159	1.85	1.70	1.72	.57	.70	.36	1943	—	15
727	2.52	2.97	2.14	1.02	.90	.90	1942	—	33

## Motors Power Emerson Electric Push

St Louis Firm Rides  
High With an Energetic Boss,  
New Ideas and Efficiency

**I**T IS ALREADY 1960 at the Emerson Electric Manufacturing Company out in St Louis and president Wallace R ("Buck") Persons thinks it will be another banner year. The books on fiscal 1959 were closed September 30 and the forthcoming annual report should show sales in the neighborhood of \$90,000,000. As for earnings, Buck Persons says "I can see \$4.55 a share." This record figure (adjusted for the 4% stock dividend paid September 30) is one-third better than last year. The gain is all the sweeter because it comes atop a record 1958 which Emerson achieved despite the recession.

The upswing has been engineered by chief executive Persons who has done a major overhaul job in his 5½ years as head of the motor

making firm. Buck Persons came to Emerson in 1954 from Lincoln Electric Company in his native Cleveland where he had worked his way up from \$90 a month to vice president.

At Emerson, engineer Persons (Case '32) personally analyzed the cost, price and profit margin of every product. Dozens of types of motors, fans and power tools were put through the rigid test in an all-out war on costs. Results came fast: in 1955 alone \$2,319,000 was sawed off expenses by reduced overhead, corrected manufacturing processes, less scrap and product redesign. Pre-tax profit margins jumped from 4.9% to 6.3% (current margins are 8.9%).

A more gradual approach to higher profits is a long-term plant decentralization program. President Persons explains: "While the bulk of Emerson property is in St Louis, we lease plants in nearby Arkansas and southern Missouri where labor supply and community conditions are more favorable. Our plans are to further relocate within a 300-mile radius of headquarters."

Recently acquired subsidiaries have plants in California, Colorado, Pennsylvania, West Virginia and Canada. Buck Persons thinks it is inevitable "we will wind up owning something in Europe to tap the Common Market and as an offset against imports." The profit squeeze on low-margin defense products is eased because many of them are made in a Washington Park, Ill

**Emerson planner Persons**



plant which is Government-owned.

Buck Persons reports: "This major program of cost reduction has become a religion here. Results have come from preaching competition to our staff, getting the people who are working on the machines in our corner." The 50-year-old president is willing to pay for what he gets and has instituted bonuses, stock options and profit-sharing. He says: "I believe strongly in incentives from bottom to top." This philosophy has brought together what Buck Persons proudly tags "Emerson's fine young management team. We have an unusual group of younger men who are making these results possible."

**A Judge in 1890.** Emerson Electric (no kin to Emerson Radio & Phonograph) started in 1890 when a Missouri judge lent his name and some cash to his law clerk to start an electric motor business. Two years later blades were attached to the motors and Emerson was in the fan business. For years the company whirled on unspectacularly, never blowing more than a zephyr across the business scene.

The Thirties brought a combination of luck—both good and bad. Emerson was wallowing in cheap fans when the terrifically hot Summer of 1936 not only saved the year but provided a private boom. Then in a sudden reversal of fortune the boom was ended by the second longest sit-down strike in history.

In 1938 harassed bankers cast about for someone to fan life back into Emerson, found their man in

William Stuart Symington III. Labor-minded Stu Symington ironed out the union difficulties and presided throughout the high-volume war years. In peak 1944 Emerson hit \$110,800,000 in sales of which \$108,000,000 was to Uncle Sam. Chief item during War II was gun turrets for more than 42,000 bombers. In 1945 Stu Symington went back East to serve in a number of Washington offices (climaxed by a term as Air Force Secretary in 1947-50) before becoming US Senator from Missouri.

The end of the war collapsed 1946 sales to \$11,900,000 while a move of commercial products into a new plant brought extra expenses. The result was a \$1,420,000 red ink entry. Then Emerson began to rebuild its volume on a solid foundation of commercial business. Although sales have risen in all but two of the last 13 years, it probably will be 1961 before the wartime sales peak is reached again.

Specialized motors have become the company's forte and the firm bolsters its sales pitch by not competing with its customers on end products. Hence Emerson motors are found in practically all types of home appliances partly because it makes no appliances itself. For example Norge would rather buy hermetic motors for refrigeration from Emerson than from competitor General Electric.

The market for these specialized motors is big and still growing. A modern home now comes with furnace, exhaust fans, sundry major appliances such as refrigerators,



washing machines and often freezers, electric mixers, dishwashers, garbage disposals. Thus the average household uses an estimated 20-to-30 motors. Buck Persons feels "this home area offers us the biggest opportunity."

**Additions in 1957.** Emerson got closer to the building scene in 1957 with the acquisition of Pryne & Company, manufacturer of built-in fixtures such as recessed ceiling lights, fans, heaters and range hoods. This line has been so successful (7% of total sales in 1958) Emerson is directing much of its expansion efforts to this area. Current white hope is a package of finishing fixtures which includes door chimes, recessed lights and an intercom system.

Early this year Imperial Lighting Company joined the fold, adding \$6,000,000 worth of sales potential in a variety of indoor and outdoor lighting fixtures. In the works is what Buck Persons calls "a big acquisition in the building field but I can't talk about it yet." He sees a large market for electric heat in homes of the future as it is already eclipsing gas, oil and coal in some parts of the country.

The do-it-yourself rage has revved up Emerson's power tool line. Over 6% of all sales last year came from the manufacture of radial arm saws for Sears, Roebuck's "Craftsman" label. Emerson also makes Craftsman arc welders and bench saws.

Despite commercial expansion, a sizable one-third of volume still comes from defense production (\$34,000,000 in 1959). The elec-

tronics and avionics division is a major producer of the Honest John and Littlejohn missiles. Radar bombing systems, mortar locating radar sets and aircraft fuselage sections are also turned out for the armed forces. The Emerson electronic fire control system aims the shots for the B-58 supersonic bomber and just last Summer the company unveiled testing equipment which not only tests the system's accuracy but tests its own ability to test accurately. And of course Emerson still makes the airborne turrets which got it into military business in the first place.

President Persons singles out engineering as Emerson's great promise and biggest frustration. The engineering budget is constantly fattened (it was doubled last year) but still is not big enough to get the number of new ideas Buck Persons wants. Emerson leaves pure research to the scientific labs and aims at practical things to meet people's needs. States the prexy flatly: "We're not trying to find out how to make light out of wood."

This down-to-facts approach has brightened the eyes of its 3,500 stockholders. Last month Emerson raised its dividend from 40¢ to 45¢ quarterly, tossed in a 4% stock bonus. The 870,000 shares currently trade on the Big Board around 57 which is 2½ times the 1957 low and more than four times the 1954 low. But the price is only twelve times estimated 1959 earnings—a relatively modest ratio for a company with a hand in electronics.

# **New Format for Crown Zellerbach**

## **No 2 Papermaker Meets Challenge of Industry Changes**

**A**MIDST the classic skyline of towers which rise from the valleys and slopes of San Francisco's famous hills, there is a startling newcomer—a sheer 20-story, green-tinted glass skyscraper, the first “curtain wall” office building to be built in the Golden Gate city. Into this new headquarters this month will move No 2 paper giant Crown Zellerbach Corp.

A pet project of chairman James D Zellerbach (now on leave as Ambassador to Italy) to spur redevelopment of downtown San Francisco, the “new look” Crown Zellerbach Building is traditional of the pioneering civic-minded spirit of the Zellerbach family and corporation (IR April 6, 1955). But it also gives an outward image of the new inward approaches which the \$555,000,000-assets integrated paper producer has used to work out some of the problems plaguing the industry in recent years. To name a few: intense competition and price weaknesses, overcapacity, rising costs.

Guiding the battle from the new bailiwick is new (as of May) president Reed Oliver Hunt, 32-year Zellerbach veteran, who has come up through the manufacturing end and knows the paper business inside out.

He chronicles: “I started out in my father's business—he was a steamboat operator on Puget Sound—because he was short of help due to World War I. I was very young

but very big.” Young Hunt subsequently shipped out on bigger vessels and with a ferry line out of Seattle but “at the ripe old age of 23 I saw the industry had had it and made up my mind to leave.” His shore berth: a storeroom clerk's job at the Port Angeles, Wash paper mill of Zellerbach Corp (it did not become Crown Zellerbach until the merger with Crown Willamette Paper in 1928). He adds winningly: “I've been in the business ever since. The paper industry is one of the most fascinating things I've ever seen.”

Within three years Reed Hunt had sailed up to the job of assistant office manager at the mill. After thirteen more years of managerial duties at various plants, he came to San Francisco headquarters as assistant to the vice president for manu-

**Crown Zellerbach builds for the future**



*November 11, 1959*

facturing, became manufacturing vice president himself in 1952. In 1956 he was made executive vice president and this Spring president and chief executive officer. But while tacking ahead on his latter course, sailor Hunt still finds time for his first interest: weekend cruises on the Sacramento River and San Francisco Bay in his 43-foot cabin cruiser, *Huntress*. He smiles: "I belong to three yacht clubs so I'll always have a place to tie her up."

Then seriously he returns to assess his new role as Crown Zellerbach skipper: "I'd say one of the most important functions of my job is looking ahead. If you don't look to see where a company is going and should be going, you're doing it a disservice. You have to keep everyone moving together to where we want to go."

**Route Marking.** The destination Reed Hunt envisions for the company is a readiness for "new trends in the industry"; the road is one of efficiency, development and super-salesmanship to bridge recent cost, price and overcapacity problems. One cost cutting move is a drive to locate facilities, both manufacturing and warehousing, close to market areas for lower transportation cost and higher sales through better customer service.

Good examples of this principle are a number of recently completed projects: relocation and expansion of a Dallas shipping container plant, a new shipping container plant near Detroit, a new distribution center in South San Francisco and the location of "little" tissue and toweling

machines in the San Francisco Bay and Los Angeles market areas. Still to be decided is a possible newsprint mill near Denver to supply customers in the Mountain States.

Reed Hunt outlines general Crown Zellerbach site-seeking policy: "We manufacture in the market areas to get better service or to cut down on freight costs which are a great and increasing problem, depending on the product line involved. For instance our multiwall bags or containers are all made for particular customers; most are printed with the customer's name. Moving them quickly is important for good service. On the other hand we also favor near-market locations for lines which are more costly to ship. The proposed Denver newsprint mill would be part of this pattern. We're making a continuous running check of shipments and cost; if manufacturing there appears to be sound, we'll go ahead."

Another endeavor is deriving of chemicals from the pulping process. Reed Hunt acknowledges the company has "come a long way toward better utilization of pulping wastes by converting them into useful chemical products made from both sulfite and kraft liquors. Half the tree, however, is still wasted in the pulping process and our objective is to develop new uses for these materials instead of consuming them as fuel. Scheduled to begin production in 1960 at Bogalusa, La is a dimethyl sulfoxide plant with an annual capacity of 5,000,000 pounds. This chemical derived from kraft liquors is a powerful industrial solvent and is



used in synthetic fibers, agricultural chemicals and in petroleum refining."

For still more research on the processing of leftovers into marketable products, it is currently expanding its chemical products lab and pilot plant facilities at Camas, Wash. President Hunt judges: "These operations are not spectacular now and won't be a big thing overnight but they have a tremendous potential."

**Lumberjack.** Another move to better use its forest resources is leading Crown Zellerbach to expand its lumber & plywood business. In harvesting trees on its farms, the company cuts logs only about half of which are the type for pulping; the rest are sold as lumber. Last year its lumber production reached a record 192,000,000 board feet and plywood output also hit a high with an increase of 31% over the 1957 total.

This year Crown Zellerbach decided to reap extra benefit by going into the lumber business itself in the U. S. Up until now this production has come from lumber and plywood mills in British Columbia but this Summer the company announced plans for its first US facility near St Helens, Ore. The new mill which will have a capacity of 200,000 board feet a day is expected to be on stream by next year.

Farthest reaching and perhaps fastest growing of Crown Zellerbach's new interests is plastics. Explains paperman Hunt: "This is what I mean by new trends in products. One of the most significant threats to paper in the last few

years has been the plastics field. Polyethylene and related plastics seem to be potent claimants to some of paper's services." As a result Crown Zellerbach teamed up with plastics specialist Spencer Chemical in a joint venture for research in high and low density polyethylene.

Spencer has developed for Crown Zellerbach a special polyethylene resin. This is now being fed by over-



head pipeline from adjacent Spencer facilities directly into a June-completed Crown Zellerbach polyethylene extrusion plant at Orange, Tex. All the output from this new plant is currently being used as breadwrap. Innovator Hunt explains: "We started out to adapt our new product to one of our old lines, the bakery trade, then from there intended to move elsewhere. But demand from bakeries has been so heavy right now we are kept busy with it."

Ultimately however the company hopes to add not only other types of customers but also other types of plastic packaging products, "wherever plastics have possibilities in combination with or independent of paper." Enthusiastic Hunt insists:

"Plastics are really just beginning to be applied in the broad field of packaging."

**Primary Paper.** But progress-seeking Hunt by no means feels these new interests will ever eclipse Crown Zellerbach's primary paper business. "Although the paper industry will continue to change, I have no doubt at all about its future growth. Lumber & plywood will be a substantial part of our business, plastic products will also be substantial. But the backbone of the company over the years will be pulp & paper."

All told 91% of Crown Zellerbach sales comes from paper & paper products. In the industry it ranks second only to giant International Paper. Manufacturing facilities include 13 primary paper mills in the US and two in Canada, plus the 36 converting plants which turn out its sanitary tissues, shipping

**Paperman Hunt**



containers, multiwall and grocery bags, cartons, etc. It offers a complete paper line—from newsprint (which it sells to more than 350 Western newspapers) to tissues (which end up on grocers' shelves trademarked Chiffon and Zee).

As a result of this paper predominance, Crown Zellerbach has been vulnerable to the fortunes of the paper industry over the past few years. Last year its total paper & paperboard production came to 1,590,000 tons, 2% below 1957 and 4.5% below the record output of 1956. Although in terms of dollars, last year's \$469,000,000 volume topped not only the \$461,000,000 of 1957 but also the \$462,000,000 of 1956, earnings were pressed by the general profits squeeze, came to only \$33,200,000 or \$2.32 a share against \$2.39 in 1957 and \$3.31 in 1956.

So far this year earnings have recovered nicely although profit margins are still below the happier 1956 levels. In the first nine months the company netted \$2.03 a share compared to \$1.63 in the 1958 period. However the rate of pick-up slowed in the third quarter (68¢ a share v 65¢) due to comparisons with a stronger 1958 third period. President Hunt will hazard no full year forecast beyond the judgment "business looks pretty good right now" but Wall Streeters expect 1959 results in the neighborhood of \$2.75 a share. Dividends are \$1.80 a year.

Reflecting the still somewhat compressed profits picture, "ZB" common stock (the CZ which brands most of the company's products is

allotted to Celanese Corp on the Big Board stock ticker) has advanced cautiously from 40 in late 1957 to a high of 60 this year, has since dropped back to 53. This is almost 17 points below the 1956 alltime high.

**Paper Problems.** Analyzing the factors in the profits picture, Reed Hunt reports: "I see no build-up in customer inventories. The price situation is moving both ways—depending on the product line—in times of a general upward firming in other businesses. In certain segments however we are able to get price increases as the supply-demand situation permits."

On the supply-demand situation, he has this to say: "The industry is running fairly well now but is still not up to full capacity. Overall we're running about 95% and I think this is pretty general throughout our line of business. There'll be a better balance in the next few years but the industry will continue to grow in a fashion which will create surpluses from time to time. Everytime someone adds a new unit, it comes in as a very sizeable block of tonnage. Years ago you could expand and come in with 30,000 tons. Today you usually come in with around 100,000."

As a result, Crown Zellerbach is still holding back a number of previously announced expansion plans. If OKayed however the Denver newsprint mill will get the green light by the end of 1961. Planner Hunt reasons: "It would not necessarily add 100,000 tons to our newsprint capacity. Rather it would free

other mills from making newsprint for the area, enable them to switch to other products."

The only new paper mill to come on the ZB stream this year is the jointly owned (with Time Inc) 80,000 ton facility at St Francisville, La. This plant, which turns out magazine printing papers, ties in with a new manufacturing complex Crown Zellerbach is slowly building up in the South to serve eastern, midwestern and southern customers. (Most company plants are concentrated in the Pacific Northwest and about 75% of total sales are from the Western states.)

However Reed Hunt plans no major migration. "We'll maintain our position in the areas and markets we're serving and continue that as long as it's profitable. We have no plans for a large-scale movement."

This year capital expenditures will run around \$35,000,000, up from the \$23,000,000 last year but still far below the \$70,000,000 spent in ambitiously expanding 1956. At the start of this year \$25,000,000 had already been set aside in a plant improvement fund and president Hunt sees no need for any additional outside financing. There are now \$101,000,000 in long-term debt and 283,000 shares of \$4.20 preferred ahead of the 13,800,000 common shares.

An important asset on the ZB balance sheet is the company's timber reserves. From its total of 2,205,000 acres with over 30 billion board feet in the South, the Pacific Northwest and Canada, it is able to cut almost two-thirds of its wood needs each



year (see cover), replanting and rebuilding as it goes.

As in this forest program, overall Zellerbach growth for the present will also be by internal replanting—not grafting via acquisition. Headman Hunt states determinedly: “No acquisitions are pending; we are not on the prowl. When we merged Gaylord Container and Western-

Waxide [flexible packaging] we took over a position to work from as diversified as that of anyone in the paper industry.”

To judge by the evidence of the swift progress already made along the diversified “new trends” course charted by skipper Hunt, this is a work Crown Zellerbach will continue, full steam ahead.

## **California Banker Opens Unique Office**

**Crown Zellerbach's New  
Neighbor American Trust  
Practices Rounded Banking**

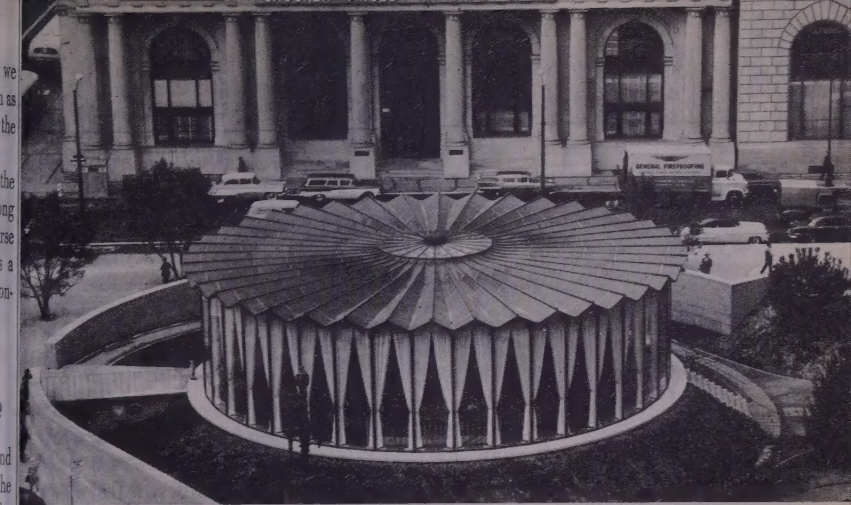
**T**HE SAN FRANCISCO scene on page 23 shows a striking contrast between the traditional and the newest look in branch banking. In the foreground is the “world’s most unique bank” — American Trust Company’s new circular glass-walled branch which graces the plaza in front of the new Crown Zellerbach building (one wall of which is just visible at far right); across Sansome Street is the older Romanesque “temple” facade of a competitor’s office.

The new \$500,000 garden pavilion-style American Trust office is a perfect circle, 70 feet in diameter. Inside, teller and customer counters and the officers’ area curve in complementary arcs to carry on the banking in the round idea. Explains pioneering American Trust president Ransom Cook: “Skidmore, Owings & Merrill were pioneers of the square glass-box bank [they did New York-based Manufacturers Trust’s revolutionary Fifth Avenue

office]; they wanted to do a round one as part of the design for the Zellerbach building. We liked the idea and it was a location we could use.”

Opening of the new office late last month brought the total of American Trust locations to 102. The \$1.8 billion-resources bank, which is 14th largest in the nation and No 3 in California (after Bank of America and Security-First National of Los Angeles) covers Northern California, principally the San Francisco Bay area. However president Cook admits the bank is “now studying expansion of its coverage northward beyond the Bay Region” and “chances are we will be extending our territory.” (In branch-happy California, the law permits banks to operate offices throughout the state if they wish.)

American Trust does not however intend to expand into a statewide operation such as the Mexico-to-Oregon line network of the Bank of America. “We don’t envision any mergers in Southern California; business is done differently down



### ***Garden pavilion branch for deposits growth***

there. We want to remain a Northern California operation."

However in its Northern California operations, American Trust more closely resembles Bank of America and its other California cousins than large money center banks elsewhere in the nation. Of its \$1.7 billion deposits, 48% are commercial (ie, checking accounts) and these are divided about half wholesale, half retail. Savings deposits (52%) are of course practically all retail.

In its loan portfolio (\$994,000,000 as of September 30) real estate commitments are most important and a good three-fourths of these are in the retail category. So are its \$200,000,000 in consumer loans and "at least half of our other types of loans."

As with banks everywhere, demand for loans is high. Notes president Cook: "In tight money times people show up to borrow money

who haven't shown up for years." American Trust's loan-deposit ratio is currently running around 59% and banker Cook ventures: "We'd rather be at 56% but we see 62% looming up by year end."

As a result of this spirited demand and high interest rates, earnings head higher. Ransom Cook estimates operating profits will be about \$12,000,000 (\$4.25 a share) this year v \$11,000,000 (\$3.97) in 1958. He also looks for "still stiffer" interest rates by either late this year or early next.

However the earnings outlook for the medium-term future could be tempered if the Federal Reserve ups the permissible rate commercial banks may pay on savings deposits. (With Savings & Loan outfits in the southern part of California offering 4 $\frac{1}{4}$ %, the spread between that and the 3% commercial bank rate is a little wider than usual.) Considering effect of an interest rate boost, presi-

dent Cook figures candidly: "If we go to 3½% on savings, it would cost us about 40¢ a share."

Possibility of a hike in dividends (currently 40¢ a quarter) to correspond with the expected 1959 earnings advance depends upon the bank's decision on northward expansion. Moneyman Cook explains: "Growth of the banking business in California runs between 5-and-6% a year; therefore a bank's capital funds should increase that much. If you earn 9-to-10%, you should keep 6%; if you pay out more than that you have to ask for it back from stockholders in selling new stock. We'd rather finance our expansion by the retained earnings route; it makes us a conservative capital gains situation."

In the past few years, American Trust capital funds growth has been about half from retained earnings, the rest from sale of new stock. (There are now about 2,780,000 shares outstanding which trade over-the-counter at around 59.) If the decision to move northward is made, the bank may again need to supplement its earnings plowback by raising new money. If this proves the case, Ransom Cook hints the package may include a stock split or a stock dividend — or maybe even both.

## WE HEAR FROM...

### Excise Reversal

CAMDEN, MAINE

GENTLEMEN:

It seems to me you must have sipped from the wrong bottle in the chart about heavy excise taxes which you had on your [October 28] inside back cover. As you pointed out in your text, Federal taxes on liquor are far heavier than State levies yet your chart seems to show the opposite. The gas and cigaret charts seem reversed too.

Very truly yours,

RICHARD LYON BOWDITCH III

'Twasn't the bottle but somewhere twixt artist and printer the color scheme in the legend was reversed. The solid blue in all charts represents Federal tax bite, the solid black the share of the states.—*Ed.*

### Reader's Report

PHILADELPHIA

GENTLEMEN:

Have been a fan of INVESTOR'S READER since its inception. Your graphic treatment of countless companies always is both enjoyed and appreciated by me \* \* \*.

Was surprised this past Summer to see two enlisted men busy reading INVESTOR'S READER in the new Sixth Army Library in San Francisco's Presidio. Last month I observed a farmer sitting on his tractor near Trinidad, Colo with a copy of INVESTOR'S READER peeking noticeably out of his left shirt pocket. So you see your excellent little publication certainly gets around.

Very truly yours,

CAPT HOWARD SONENFELD

---

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## GLAMOR GLOVES

Thanks to a new chemical treatment developed by the B F Goodrich Company, heavy work gloves such as the pair modeled by the delighted young lady at right not only keep hands looking glamorous but can sport a bit of glamor themselves. These heavy cotton gloves and the bolts of fabric in the foreground have been sprayed with a brightly colored plastic in an irregular lacy pattern, then popped into an oven to emerge permanently and inexpensively decorated. By this process Goodrich feels "unexciting" but serviceable fabrics can easily be glamorized for use in clothing, draperies and other areas now dominated by expensive materials and miracle fibers.



The gloves were just one of the examples of Goodrich chemical treatment talents demonstrated to textilers late last month in a special week-long show at Manhattan's Sheraton-Atlantic (née the McAlpin). A few others: non-woven fabrics which look woven but have the extra attractions of plastics; latex-installed zippers; easily washable and dry-cleanable non-woven materials. Vice president Harry Warner expects "these chemicals may ultimately permit fabrics to be manufactured on a straight-line production basis the way we now make paper \* \* \* Under the proper circumstances the unit cost of the material may be reduced to such a point that perhaps we may be able to buy a suit of a non-woven fabric, wear it until it becomes wrinkled, then throw it away."

Although Goodrich is probably the most chemicals-stressing (IR, March 18) of all the Big Four tiremakers, it previously had concentrated on production of raw materials for the chemical, rubber and plastics industries. Last month's show kicked off its formal move into the textile chemicals business, a market estimated at "more than \$400,000,000 worth of business this year." Figures Harry Warner: "The products we make represent a potential \$50,000,000 segment of this market."

Meantime Goodrich's existing market segments rolled up record nine-month sales of \$578,000,000 against \$508,000,000 a year ago. Earnings bounced up to \$28,800,000 or \$3.20 a share (including a non-recurring \$2,200,000 capital gain) from \$23,400,000 (\$2.61). But the effects of the 55-day strike at Goodrich in the second quarter plus current slow-ups from the steel strike will probably keep full-year net well under the \$5.26 a share earned back in peak profits year 1955.

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# RAINBOW'S END

The idea of a perfect world has haunted men through the ages. They've called it Utopia, Arcadia, Erewhon, El Dorado, even the Big Rock Candy Mountain—but whatever its name, it's always the land of fulfilled desires.

Everyone knows, of course, that all those places are purely imaginary. But it's surprising how many people ask us every day to suggest the investment equivalent of Utopia—a stock that is guaranteed to go steadily upward in price and pay handsome dividends regularly. All we can tell them is that if there is such a stock, it exists only in Never Never Land, which is outside our province.

Investing is *not* a ticket to Utopia, but it *is* a way of putting your money to work to earn more money, and it can be the means of improving your standard of living or accumulating funds for a goal that might otherwise be beyond your means. And any idea that may enable you to realize part of your private Utopia is worth considering, isn't it?

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